

Message Text

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C O R R E C T E D C O P Y FOR MRN (1883 VICE 1884)

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TAGS: EMIN, EAGR, EAID, BEXP, LI

SUBJECT: IRON ORE DEPLETION AND IDA ASSISTANCE TO LIBERIAN
FORESTRY

REF: A. STATE 062622 B. MONROVIA 1754

1. SUMMARY: IBRD/IDA ASSISTANCE TO LIBERIAN FOREST PRODUCTS
INDUSTRY MAY BE USEFUL. HOWEVER, IBRD BELIEF THAT SUCH
PROJECTS URGENTLY NEEDED TO REPLACE DECLINING IRON MINING
INDUSTRY IS MISTAKEN. LIBERIAN IRON ORE MINING INDUSTRY
IN GOOD HEALTH FOR NEAR FUTURE -- AT LEAST NEXT TWO DECADES --
AND HAS EXCELLENT PROSPECTS FOR LONG TERM GROWTH.

2. EMBASSY APPRECIATES INFO CONTAINED REF A ON POSSIBILITY
IBRD/IDA FORESTRY PROJECT IN LIBERIA. FORESTRY A HIGH GROWTH
SECTOR IN LIBERIA IN RECENT YEARS AND EARNINGS FROM TIMBER
EXPORTS HAVE RISEN APPRECIABLY. MAIN PROBLEMS APPEAR BE
PROLIFERATION SMALL, OFTEN OVERLAPPING TIMBER CONCESSION
AREAS WHICH UNECONOMIC OPERATE AS RENEWABLE TREE FARMS,
AND INABILITY GOL AND/OR CONCESSIONNAIRES DISSUADE
SUBSISTENCE FARMERS FROM WASTEFUL BUT TRADITIONAL SLASH
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AND BURN METHOD UPLAND AGRICULTURE. LARGE AMERICAN FIRM

WITH SUBSTANTIAL INTERESTS FORESTRY DEVELOPMENT ELSEWHERE RECENTLY ADVISED EMBASSY THAT MOST PROMISING LIBERIAN FOREST AREAS ALREADY LEASED OUT TO SPECULATORS OR SMALL OPERATORS WITH NO INTEREST SELECTIVE CUTTING OR REPLANTING. INDEED, SUBSTANTIAL OVERLAPPING LEASED AREAS ENCOURAGES COMPETITIVE CUTTING. HOWEVER, WITH MORE CAREFUL ADMINISTRATION AND ADVANCED TECHNOLOGY, IT APPEARS POSSIBLE FOR LIBERIA TO DEVELOP VALUABLE AND RENEWABLE TIMBER RESOURCES. EMBASSY FEELS THAT GOL ATTENTION TO RATIONALIZATION TIMBER INDUSTRY AND ENCOURAGEMENT CAPABLE FOREIGN INVESTORS WOULD BE MOST EFFECTIVE WAY ACHIEVE THIS GOAL AT LEAST COST TO LIBERIA, BUT CAN SEE ADVANTAGES IBRD/IDA ASSISTANCE.

3. EMBASSY CONCERNED, HOWEVER, OVER IBRD BELIEF REPORTED REF A THAT QTE PROSPECTS OF IRON ORE DEPLETION BY END OF THIS DECADE SO STRONG THAT LIBERIANS MUST TRY DEVELOP OTHER RESOURCES SUCH AS TIMBER UNQTE. TO PLACE SUCH EMPHASIS ON IMMINENT IRON ORE DEPLETION AS REASON TO DIVERSIFY ECONOMY HIGHLY QUESTIONABLE IN VIEW FACT LIBERIAN IRON MINING INDUSTRY APPEARS CERTAIN CONTINUE PRODUCING AT LEAST AT PRESENT LEVELS (SEE MONROVIA A-18 OF MARCH 5, 1974) AND PROBABLY AT HIGHER ONES UNTIL ABOUT TURN OF CENTURY EVEN IF NO NEW MINING AREAS OPENED. THIS DOES NOT REDUCE NEED DIVERSIFY ECONOMY WHICH HAS IN PAST SUFFERED FROM SHARP PRICE FLUCTUATIONS ITS FEW EXPORT COMMODITIES, BUT SHOULD GIVE TIME AVOID PRECIPITATE ACTION.

4. PRESENT STATUS AND OUTLOOK LIBERIAN IRON MINING INDUSTRY IS AS FOLLOWS:

(A) LIBERIA MINING CO. (REPUBLIC STEEL) BOMI HILLS MINE NEARING EXHAUSTION DESPITE RECENT ACQUISITION NEARBY HIGH GRADE BUT SMALL DEPOSIT WHICH USED FOR BLENDING. BOMI, WHICH PRODUCED LESS THAN 2.4 MILLION TONS (9 PERCENT OF TOTAL) IN 1973, COULD CLOSE IN 1975.

(B) NATIONAL IRON ORE CO. MANO RIVER MINE HAS EXTENDED ITS ECONOMIC LIFE BY ADDITIONAL RPT ADDITIONAL 13 TO 15 YEARS WITH INAUGURATION MANO II PROJECT LAST YEAR. OUTPUT EXPECTED INCREASE FROM PRESENT LEVEL OF 2.7 MILLION LIMITED OFFICIAL USE

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TONS/YEAR TO 5.0 MILLION, THEREBY LARGELY COMPENSATING FOR EXPECTED CLOSURE BOMI HILLS. WITH LUCK, MANO COULD SEE IT THROUGH TO THE TURN OF THE CENTURY.

(C) LAMCO'S MOUNT NIMBA MINE HAD ORIGINAL RESERVES IN MAIN ORE BODY ESTIMATED 260 MILLION TONS HIGH GRADE (65 PERCENT FE) ORE, OF WHICH ABOUT 110 MILLION HAVE BEEN EXTRACTED. TOKADEH MINE, OPENED IN 1973, AND NEARBY RANGES

WITHIN CONCESSION AREA ESTIMATED CONTAIN PROBABLE RESERVES
500 MILLION TONS CONCENTRATING ORES (40 TO 55 PERCENT FE).
PRESENT LAMCO PRODUCTION FROM NIMBA AND TOKADEH 12.2 MILLION
TONS/YEAR AND RISING, BUT TOTAL RESERVES COULD MAINTAIN
OPERATIONS PRESENT LEVEL FOR 25 YEARS AT LEAST.

(D) GERMAN-LIBERIAN MINING CO. (DELIMCO) BONG MINE
NOW PRODUCING AT 8.5 MILLION TONS/YEAR. AT TIME OF OPENING
IN 1965 ORE RESERVES MAIN ORE BODY ESTIMATED AT 140 MILLION
TONS CERTAIN AND 52 MILLION TONS PROBABLE, OF WHICH ABOUT
45 MILLION TONS HAVE BEEN EXTRACTED. PROBABLE AND POSSIBLE
RESERVES IN NEARBY DEPOSITS WITHIN CONCESSION ESTIMATED AT
200 MILLION TONS. DELIMCO STILL EXPANDING AT BONG MINE.

5. AS CAN BE SEEN, REPORTS OF IMPENDING DEMISE LIBERIAN
IRON MINING INDUSTRY VASTLY EXAGGERATED. PRODUCTION FROM
EXISTING OPERATIONS CAN BE MAINTAINED AT PRESENT LEVELS
FOR AT LEAST 20 TO 25 YEARS. IF, AS IS NORMALLY THE CASE,
THE OPERATING COMPANIES' ESTIMATES OF ORE RESERVES PROVE TO
HAVE BEEN ON THE CONSERVATIVE SIDE, PRODUCTION COULD CONTINUE
WELL INTO THE NEXT CENTURY EVEN WITHOUT TAPPING THE HUGE
WOLOGISI DEPOSITS (LOW TO MEDIUM GRADE CONCENTRATING ORES
WITH RESERVES ESTIMATED AT WELL OVER ONE BILLION TONS),
THE PROMISING PUTU RANGE (NOW BEING PROVEN OUT BY DELIMCO)
OR THE LOW GRADE TACONITE DEPOSITS OF BIE MOUNTAIN. ON THE
OTHER HAND, IF WORLD DEMAND FOR STEEL CONTINUES TO RISE,
FORCING ADVANCES IN THE TECHNOLOGY OF ORE MINING AND
CONCENTRATING, LIBERIA STANDS TO GAIN A LARGE PART OF THE
ECONOMIC REWARDS.
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